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FM AMEMBASSY BUENOS AIRES
TO RUEHC/SECSTATE WASHDC IMMEDIATE 7517
INFO RUEHAC/AMEMBASSY ASUNCION IMMEDIATE 6002
RUEHBO/AMEMBASSY BOGOTA IMMEDIATE 1520
RUEHBR/AMEMBASSY BRASILIA IMMEDIATE 5856
RUEHCV/AMEMBASSY CARACAS IMMEDIATE 1126
RUEHLP/AMEMBASSY LA PAZ MAR 4496
RUEHPE/AMEMBASSY LIMA IMMEDIATE 1975
RUEHMU/AMEMBASSY MANAGUA IMMEDIATE 0076
RUEHME/AMEMBASSY MEXICO IMMEDIATE 1323
RUEHMN/AMEMBASSY MONTEVIDEO IMMEDIATE 6259
RUEHOT/AMEMBASSY OTTAWA IMMEDIATE 0484
RUEHZP/AMEMBASSY PANAMA IMMEDIATE 0263
RUEHFR/AMEMBASSY PARIS IMMEDIATE 1219
RUEHQT/AMEMBASSY QUITO IMMEDIATE 0873
RUEHSG/AMEMBASSY SANTIAGO IMMEDIATE 0241
RUEHSO/AMCONSUL SAO PAULO IMMEDIATE 3197
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TAGS: [EFIN](#) [ECON](#) [ENRG](#) [EAGR](#) [ETRD](#) [AR](#) [VZ](#)

SUBJECT: CHAVEZ' ECONOMIC DELIVERABLES TO ARGENTINA --
PAYMENT FOR RALLY STOP

REF: A. BUENOS AIRES 465
[1](#)B. BUENOS AIRES 427
[1](#)C. BUENOS AIRES 284
[1](#)D. BUENOS AIRES 360

Summary

[1](#)1. (SBU) Presidents Kirchner and Chavez oversaw the signing of a number of bilateral economic accords and commercial agreements during Chavez' March 9 visit to Argentina (reftels). This was the "substantive" side of Chavez' visit to Buenos Aires and the focus for the GoA. The two Presidents agreed to include Bolivia in the "Banco del Sur" and to create an organization of natural gas exporters. Other agreements covered enhanced energy and agricultural cooperation and increased commercial opportunities for Argentine companies. The agreements expand on accords the two Presidents signed during Kirchner's visit in February to Venezuela (Ref B), and are largely symbolic. Nevertheless, GoA officials claim the closer relationship with Venezuela has brought real economic benefits, including a doubling of exports to Venezuela since 2005, and expected to reach over \$800 million in 2007. End Summary.

Eleven, no, Ten, Accords

[1](#)2. (SBU) According to local press, Presidents Kirchner and Chavez presided over the signing of eleven economic and commercial accords on March 9, during Chavez' pass through Buenos Aires as part of his shadow "anti-Bush" tour (see reftels). The two governments later issued a list of ten agreements. The two Presidents signed agreements to invite Bolivia to join their concept for a regional development bank, "Banco del Sur," and also to create the "Organization of Gas Producers and Exporters in South America (OPEGASUR).

13. (SBU) Venezuela's national oil company PDVSA signed three agreements with Argentine companies to produce vehicles, buses, motors and other equipment that operate on natural gas. PDVSA also agreed with Argentina's "Grobo Group" on a \$400 million program to expand agricultural production in Venezuela. The two sides also signed scientific and technological cooperation agreements on agricultural and cattle production, and agreed to create an Agricultural technology institute, and to construct two reproductive biotechnology facilities in Venezuela.

14. (SBU) GoA officials justify their tighter relationship with Venezuela as economically pragmatic. The Argentine private sector is benefiting, with exports to Venezuela increasing from \$513 million in 2005 to \$793 million in 2006; exports are expected to exceed \$800 million in 2007. (Note: Argentina's imports from Venezuela decreased from \$32 million in 2005 to \$25 million in 2006.)

Bolivia Joins "Banco del Sur"

15. (SBU) Kirchner and Chavez welcomed Bolivia into the "Banco del Sur," their new concept of a regional development bank to rival the IFIs. However, GoA and GoV negotiators have yet to agree on the details of how to organize or finance the bank. As reported Ref B, the press reports that the two governments are considering committing reserves to capitalize the bank. However, at least for Argentina this would require Congressional approval to change the Central Bank's charter. (Comment: this would also create a public perception problem for Argentina with Paris Club countries, since the GoA has

argued that the Central Bank's charter keeps the GoA from using official reserves to pay arrears to Paris Club creditors. End Comment).

Energy Agreements -- Repeats and Pie in the Sky

16. (SBU) The three agreements that involve compressed natural gas (CNG) technology transfer (for automobiles and buses) to Venezuela were minimalist expansions on earlier MOUs signed in Caracas (Ref B). According to ex-GoA Energy Secretary (and current private energy consultant) Daniel Montamat, the fourth agreement -- to create a South American natural gas exporter/producer association -- is largely symbolic, and Chavez' response to the U.S./Brazil biofuel agreement.

Argentina Sells Agricultural Know-How to Venezuela

17. (SBU) PDVSA agreed to invest \$400 million to expand Venezuela's crop production with Argentine technical assistance. Grobo Group, one of Argentina's largest agricultural companies, will manage the project. Grobo will begin by planting soybeans on 10,000 hectares of PDVSA land, increasing production to 100,000 hectares by year four, and eventually reaching one million hectares. (Comment: the project may have trouble getting off the ground, given Chavez' stated opposition to GMO soybeans, which comprise about 95% of Argentine soybean production. Grobo is aggressively pro-biotech. End Comment).

18. (SBU) The two sides signed several other accords to promote agricultural production and research in Venezuela, using Argentine technical expertise. They agreed to enlarge four potato research centers and build two biotechnology labs focused on cattle reproduction. They also agreed to create an agricultural technological institute in the Bolivar area, with the Argentine Institute of Agricultural Technology (INTA -- equivalent to USDA's Agricultural Research Service) providing technical assistance. (Comment: Post's contacts comment that these projects support Chavez' stated interest to double Venezuela's cattle stock in five years, with the longer term goal of becoming self sufficient in dairy and beef production. End Comment).

Comment

19. (SBU) These accords, along with prior agreements signed in Venezuela and during the Rio Mercosur Summit, form the blueprint for the future of the Kirchner/Chavez relationship, with Kirchner selling the political support of one of Latin America's premier countries to Chavez in return for economic benefits -- financed by Venezuelan oil. Many of the agreements are not fully developed, such as the Banco del Sur, or are even unrealistic, such as the South American natural gas organization. However, others -- particularly Venezuela's purchase of Argentine bonds and Argentine agricultural companies' exports to Venezuela -- have tangible value for both Argentina and Venezuela. Kirchner's continued support for Chavez will remain rooted in this economic and commercial pragmatism, while also parlaying his support of Chavez' brand of populism to appeal to the Argentine left during the election cycle. End Comment.

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